

## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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COUNTRY	Hungary	REPORT	
SUBJECT	Conference of Hungarian Commercial Attachés and Trade Commissioners	DATE DISTR.	26 Oct. 1954
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(FOR KEY SEE REVERSE)

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1. Program of the Conference.

- 19 July 1954, 0900 hrs. a. General report: Influence of the New Course on Hungary's trade with the West.  
Speaker: László Hay, Minister of Foreign Trade.
- b. General problems of Hungary's foreign trade. Anticipated problems on the Western market.  
Speaker: Béla Szilágyi, Chief of Division IV (Interstate Division).
- 19 July 1954, 1500 hrs. Agricultural import and export problems.  
Speaker: Tibor Barabás, Section Chief.
- 20 July 1954, 1500 hrs. Export and import problems in the light industry.  
Speaker: Dezső Lantos, Chief of the Light Industrial Division.
- 21 July 1954, 1700 hrs. Export and import problems in the heavy industry.  
Speaker: Jenő Incze, Deputy Minister of Foreign Trade.
- 22 July 1954, 0900 hrs. Conference with prominent industrial leaders.  
[See paragraph 3 for the roster of those who were invited.]
- 23 July 1954, 1500 hrs. a. Exchange of experiences in regard to the functioning and management of trade missions abroad.
- b. Discussion of problems from the following viewpoints:
- (1) Informative tasks, market and political reporting.  
Discussion leader: Dénes Loerinci.

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- (2) Relations with the host countries.
- (3) Interstate negotiations
- (4) Relations with Hungarian traveling sales representatives
- (5) Management, internal affairs, relations with other Hungarian foreign-service personnel
- (6) Relations with the Ministry of Foreign Trade
- (7) Staff (Kader) problems: Training, political education
- (8) Marketing problems
- (9) Propaganda

26 July 1954, 1500 hrs.

Schedule of Foreign Trade Missions.

2. Summary of Speeches and Discussions.

## a. 19 July 1954, meeting beginning at 0900:

- (1) Minister László Hay stated that in order to develop foreign trade it is necessary to establish the prices of export goods with a long-term validity.
- (2) The Ministry of Foreign Trade will consider easier terms of payments for buyers of Hungarian products in the future, but only on so-called "capital investment goods" - (Beruházási javak)
- (3) The minister requested that the members of the conference should strive to enter into general sales contracts which would bind the purchaser to the procurement of Hungarian goods over a period of several years. Such general contracts would facilitate the planning of production.
- (4) Finally he informed the audience that the Ministry of Foreign Trade will not object to "clearing deals" involving several parties in Western countries.<sup>1</sup>

## b. Béla Szilágyi, Chief of Division IV (Interstate Division) made comments on the following subjects:

- (1) Agricultural Imports: Hungary must import agricultural goods for the improvement of its agriculture. (Seeds, fertilizers)
- (2) Export of Diesel Motorcars and Steam Locomotives: Hungary has insufficient orders on hand to secure the continuity of production of diesel motorcars and steam locomotives. If such orders are not secured before the end of 1954 in sufficient quantity, the Ganz and Mavag Works might be forced to lay off part of their working force. This would not only result in serious material losses, but a very serious loss of prestige for the workers.<sup>2</sup>
- (3) The policy of the Hungarian Government is that the country should not become a debtor of colonial or semi-colonial countries because of the danger that the Government might become a propaganda target of Capitalist countries for exploiting "dependent" countries.

(4)

- (5) Hungarian export trade is facing increasing difficulties. Capitalist countries have slowed down their purchases and Hungary is forced to sell more and more goods on credit terms.

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- (6) Hungarian foreign-trade missions will be strengthened with industrial specialists in the near future.

(7)

- (8) Foreign-trade commissioners were encouraged to widen their social contacts with officials in host countries as well as with private individuals. Such contacts and conversations should be regularly reported. 25X1

- (9) Export of consumer goods must continue in spite of the projected increase of internal consumption, if for no other reason than to retain the market thus far secured (as for instance textile goods). The shortage thus created in Hungary will be filled, at least in part, by imports from European countries.

(10)

- (11) The foreign-sales representatives of foreign nationality still existing in [redacted] and in other countries should be discarded. Hungary cannot afford visitors from firms [redacted] who might come here to conduct industrial espionage. 25X1

- (12) While one should strive to reduce Hungary's indebtedness in West-European countries, one should take advantage of available credits whenever possible.

- (13) A whispering campaign in regard to the lack of continuity and availability of spare-part deliveries for Hungarian-made machinery might greatly harm the Hungarian export trade. Thus it is important that the supply of spare parts in proper qualities and quantities be secured.

- (14) The Ministry of Foreign Trade is lacking the proper staff (Kader). There is a shortage of linguists. The technical representatives lack commercial knowledge and have to be educated while on the job abroad. 25X1

- (15) Szilágyi also decried the poor coordination between State enterprises, the ministry, the trade commissioners, and the traveling sales representatives. Even within the divisions of the Ministry of Foreign Trade, coordination is poor and an appropriate reorganization is currently in progress. 25X1

- (16) Hungary plans to increase the number of its exhibitions in international trade fairs. 25X1

- (17) "A new working style is needed. 'Slowness' must be liquidated."

c. [redacted] Commercial Attaché, [redacted] emphasized the importance of the trade commissioners' critical comments concerning the performance of national enterprises. Through such criticism the quality of the products and the production management\* could be improved; the timely and proper shipping of finished goods could be secured.

d. 20 July 1954, meeting beginning at 1500. The speaker Dezső Lantos, Chief of the Light Industrial Division declared:

- (1) Due to the lack of "capital goods investments" during the recent years, the light industry was frequently unable to match old established qualities.

- (2) 50% of cotton goods produced in Hungary were exported.

- (3) Radio sets were exported in spite of inferior quality. Such practices will harm the Hungarian export program. 25X1

- (4) It is important to maintain the level of export in light industrial goods (primarily consumer goods) until heavy industrial items can be introduced on export market to replace the loss which is bound to come with the decrease of exportable consumer goods.<sup>3</sup>

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- (5) The western market received in 1952, 31 percent of the total light industrial export. The figure was 36.2 percent in 1953 and 36 percent in 1954.<sup>4</sup>
- (6) The policy of the ministry is to increase the value of the export volume through the exportation of items requiring more in labor and less in material. The industrial managements are not knowledgeable in regard to marketing possibilities abroad. It is the task of the trade commissioners to furnish the necessary knowledge.

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- (7) Hungarian foreign trade has no determined "export profile", [redacted] The production of export articles is unstable. [redacted] For instance, Ferunion<sup>2</sup> reduced drastically the number of articles available for export because many, such as sheet glass, cannot be produced in sufficient quantities. The production capacity of electronic instruments remains unexploited. The export of better-quality radios should be increased. Hungarian telephone sets are in need of modernization. Electroimpex<sup>3</sup> has no competent sales force abroad. The sales propaganda of Ferunion is insufficient. The sale of embroidered blouses has strongly decreased; this is not an article which should be subject to changes in fashion. Export of special Hungarian artisan products needs to be increased.

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- (8) The industrial enterprises should give more attention in their production planning to the needs of the export trade. The endeavor on the part of the industrial enterprises to produce primarily quantity in order to fulfill their production quotas, as fixed by the Office of Planning, is definitely detrimental to foreign trade.

- (9) Hungarian stocks of imported raw materials are low. Lumber imports from Czechoslovakia and Rumania have decreased and the imports from the West have increased five times (sic) during 1953-54. Leather purchases should be spread to several countries and not exclusively to one or two countries, [redacted] Since leather processing must be done with imported chemicals, in some cases consideration should be given to the import of finished leather because it might require actually less foreign currency to purchase it than is needed for the chemicals and the raw leather separately. The import of synthetic textile fibers must be maintained. An increase is planned in the import of raw jute.

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The following comments were made after Lantos' talk:

Szántó (fnu), believed to be chief of a section in the Agricultural Division of the Ministry of Foreign Trade: A roster should be prepared on the import materials which are to be used in the production of consumer goods for the peasantry so that trade missions could give preference to these items.<sup>7</sup>

[redacted] Hungary's foreign customers cannot depend on Hungarian State enterprises. The latter attempt to sell what they have and have no interest in what the customers want.

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Labore (fnu): In cases of import difficulties the trade commissioners should strive to arrange "jobbing" agreements; Hungary would process the raw materials for a foreign customer if it is paid in raw materials. The Hungarian trade missions not only do not receive cooperation on the part of their Czech counterparts, but they find that the Czechs actually hamper it; i.e. agreement violation between Centrotex and Hungarotex.<sup>8</sup>

[redacted] In cases where missions know of buyers who are after merchandise in which they cannot submit offers but in which the Hungarians can, they will not recommend Hungary to the customer and will not even mention the business possibility to Hungarian officials. [redacted] Hungarian products are often judged in a political light. If the quality of any item is not up to par, it is "Communist-produced trash".

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György Arató, Chief of the Section for Compensations: Trade commissioners should report on the business transactions of other countries. Hungary should consider representing the business interest of some other countries in certain areas. There are situations when the mission of a third country is not admitted to the host country. We could represent the interests of that third country.

e. 21 July 1954, meeting beginning at 1700:

- (1) Jenő Incze, Deputy Minister of Foreign Trade, stated that 40 percent of the total Hungarian export is contributed by the Heavy Industry. Before World War II the contribution was 20%. Less than 10% of all ? exports go to western markets, whereas 1/5th of the imports come from the West. Causes for the inadequate foreign trade are:
  - (a) Lack of trade-craft. Only trade specialists are capable of furnishing competent special information and not the trade commissioners.
  - (b) Weak network of sales representatives abroad
  - (c) Slowness in the submission of offers
  - (d) Too long delivery terms
  - (e) Bad price policy
  - (f) Bad commercial policy (terms of payment)
  - (g) Delays in the conclusion of business deals
  - (h) Inadequate preparation of traveling sales representatives. (Not equipped with complete information, badly timed visits to customers, etc.)
  - (i) Obsolete types of merchandise
  - (j) Lack of references
  - (k) Delivery delays
- (2)  countries have reduced their demand for Hungarian goods in heavy industry because, like Hungary, they too have reduced their capital investments.<sup>9</sup> The heavy industrial export plan for 1954 should give priority to machine tools (Szerszámgepek). Hungary is in 10th or 11th place in the world in regard to the export production of machine tools. Prior to World War II Hungary had hardly any machine-tool production. Today there are 50 to 60 types of Hungarian-produced machine tools on the world market.
- (3) Hungarian tractors are not of a new type. However, it requires little mechanical know-how to handle them. The trade commissioners were not informed that there is an export capacity in tractors and that there will be one in 1955 and 1956. The type of tractor used by Hungarian agriculture is of somewhat lower horsepower than those earmarked for export.
- (4) There will also be an export capacity in combines.<sup>10</sup>
- (5) Metalimpex 11 brought something new into the roster of Hungarian export items: rolling-mill products. Hungary should be able to sell motor trains  in addition to machine tools. There is no need to force the sale of items produced in series. There is a greater chance in bidding individual items. In concentrating on the production of individual items Hungary can rely on a universally trained body of engineers. In such individual items Hungary is favored by a less competitive market; thus she has a greater chance of success. In 1955 Hungary should be able to supply for export purposes dumpers, complete hydropower plants, pumping stations, ore-processing machinery, and railroad freight cars.

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- (6) Thermo-power plants will be produced for internal consumption only. Hungary does not wish to export trucks.
- (7) Hungary has on hand orders for 4,000 autobusses. Most of these are from Orbit countries.
- (8) Hungary has plenty of skilled technicians and engineers; there are twice as many available as the plants could absorb. Thus some could be used as traveling consultants to support salesmen. There is a need for a corps of salesmen with technical background so that Hungary will be able to offer more services, such as technical assistance, planning, installation, and break-in training.
- (9) Most of the German cement factories are located in East Germany; these are ready to cooperate with Hungary.
- (10) Hungary can provide references: She has exported thus far more than 1,000 locomotives and is in 2nd or 3rd place in the world [not specified in what respect]. Floating derricks: They are a Hungarian invention. Coaches exported to the Soviet Union are regarded as the best there.
- (11) Because the heavy industry in Hungary was, in the postwar period, over-burdened with too great a work load, the planning staff became complacent.

The following comments were made after Incze concluded his talk:

Béla Szilágyi, Chief of Division IV: In Poland the Polish sales organizations assumed in some cases the sales representation of foreign firms. The example is worth considering.

Jenő(?) Solt, (Technoimpex): Most of the Hungarian machine tools are obsolete in type. Hungarian tractors can only be sold to places where they have not been sent before. People who bought them before will not buy again.

f. 22 July 1954, conference beginning at 0900:

Discussion Leader: László Varga, Section Chief in the Division of Light Industry

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Mrs. Vilma Hay, official of the Kultura Publishing Firm: Without ultra-high-frequency radios Hungary will lose its export market in radios.

Ferenc Mészáros: The electric current meters are too bulky and heavy medical injectors are not of rust-resistant steel; the pumps are getting stuck.

Edmund Kallós: The electric current meters are not properly calibrated.

Léderer (fnu) (Orion Radio): Ultra-high-frequency radio will be available for export in 1955. Radio production is now at 200,000 sets a year. Prior to World War II it was 70,000.

Unidentified Electroimpex representative: The electric industry did not receive money in the past for capital investments because it was classified as light industry. Now it receives no money because it is regarded as heavy industry.

Vindt (fnu): Current production of thermoflasks is 550,000 a year. Production could be increased to 900,000. The inset is manufactured at Tokod. Since June the factory produces baby thermoflasks in 3/4-liter sizes.

Károly Havas, Deputy Commercial Attaché, Iran: Hungary cannot deliver sewing machines because of the "matrica" (sic).

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Béla Szilágyi: Prior to "liberation" the sewing machines were assembled from foreign-made parts.

Boros (fnu): The cotton qualities supplied to factories varied greatly in the past. This year, it is for the first time that the factories are supplied as requested.

Somkuti (fnu): The textile export suffers mainly from the following three evils:

- (a) Pieces are not delivered in standard length. (Too many odd sizes.)
- (b) Improper packaging
- (c) Delay in delivery
- (d) Raw stocks are low.

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Maracska (fnu), Chief of the Heavy Industrial Division:

- (a) The Mavag factory fulfills only 60% of its obligations toward the Soviet Union.
- (b) The "Prototype Committee" [passing judgement on new machine models] is lacking in courage needed for decisions. A hydraulic locomotive suffered three-year delay in production because of the indecisiveness of the committee.<sup>12</sup>
- (c) The Ministry of Foreign Trade received an allocation of 30,000,000 forints for 1954 for the purpose of supporting factories which produce for exports in the foundry and heavy machine industries. A multiple of that sum is expected to be allocated in the year of 1955.

g. 23 July 1954, discussions beginning at 1500:

- (1) Béla Szilágyi's statement in regard to the weakness of "Cadres" (Káder) was re-emphasized. Complaints were voiced that the young proletarians appointed to foreign-trade missions become complacent, lazy, and clannish (rangkorság). They do not show sufficient interest to supplement their education. It was proposed that traveling sales representatives should take along young candidates on their trips and train them in order to secure replacements as needed.

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- (2) In regard to the relations of the trade-mission members to the members of their legations it was stated that the situation leaves much to be desired. Legation personnel, in many instances, look down upon trade commissioners and refer to them privately as "Kupecek" (horse dealers).

István Palós, Communist Party Secretary within the Interstate Division, decried the fact that missions are understaffed, appointees have insufficient training, and support is not forthcoming from the ministry.

Povinyec (fnu): During 1953 the situation improved more than in the previous three years. There are at present 28 individuals in training; of these 10 are from the "technical cadre" (mészaki kader). When newly trained personnel are ready to be sent out it is hoped that all foreign nationals can be dismissed from the employment of the trade missions.

Kuhajda (fnu) (Shipping specialist): Revealed in the course of the discussion that the foreign shipping firms K.L. Rzal and Netrabur were handling Hungarian shipments abroad.

h. 26 July 1954, discussion beginning at 1500:

János Nyerges: Section Chief, in the IV (Interstate) Division: Trade commissioners were warned that in case they discuss confidential matters with friendly officials such discussions should always be private with no other friendly official present but the one directly concerned with the matter.

Péter Veres, (Not identical with the Peasant Party leader): Trade commissioners were encouraged to retain cordial relations with the officials of the host country, especially with those in charge of visas, of currency controls, and of import-export licenses.

Károly Havas, Deputy Commercial Attaché, Iran, advised that social contact with representatives of the West be kept within the framework of larger receptions.

Edmund Kallós, Commercial Attaché, Egypt, remarked that contact with Capitalist missions is not advisable if the initiative is with the Capitalists, because they are likely to have some dark schemes when such contact is initiated by them.

György Fehér, Commercial Attaché, Switzerland, stated that Soviet officials are usually very reserved at the onset of social contacts.

In the opinion of Nyerges it is not wrong to retain friendly relations with West European diplomats in colonial or semi-colonial countries.

István Palós, Communist Party Secretary within the Interstate Division: The learning of a foreign language is vital. The mission chiefs should determine which is the language needed. The cost of 4½ hours of language training per week will be reimbursed by the ministry.

Ferenc Mészáros: We should be careful, however, not to hand a "Potapova" into the hands of the Capitalists.

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3. Roster of Industrial Leaders.

Following is the roster of industrial leaders invited to the conference of 22 July 1954, at the Ministry of Foreign Trade.

## a. Light Industry:

- |   |   |
|---|---|
| (1) United Incandescent (Egyesült Izzó, formerly Tungram)                               | Katonex (fnu), Manager<br>Vasziliy (fnu), Chief Engineer    |
| (2) Roentgen Equipment Factory  | Endre Uhreczky, Chief Engineer                              |
| (3) Ganz Electric Current Meter factory   | Tibor Sello, Manager  |
| (4) Telephone Factory (Telefongyár)   | Pál (?) Szabo, Manager<br>Bodnár, Chief Engineer            |
| (5) Orion Radiator Factory  | Kőrös (fnu), Manager<br>Szalbe (fnu), Chief Engineer        |
| (6) Kontakta Electrical Equipment Factory   | Skarba (fnu), Chief Engineer<br>Konez (fnu), Superintendent |
| (7) Thermosflask and Glass-industrial National Enterprise                               | Vindt, (fnu) Chief Engineer                                 |
| (8) Cooperative of Medical Instrument Producers (Orvosi Műszergyártó Egyesület or OMES) | Pelerdi, (fnu) Chief Engineer                               |
| (9) Cottonworks Management (Pamutipari Igazgatóság)                                     | Elemér Boros, Manager                                       |
| (10) Goldberger Works   | Hartai, (fnu) Manager                                       |
| (11) Duna Shoe Factory  | .....   |
| (12) Rákosi Works, Sewing Machine Plant   | Kellemen (fnu), Chief Engineer                              |
| (13) Rákosi Works, Bicycle Plant  | János Deutsch, Manager<br>Lehman, (fnu) Chief Engineer      |
| (14) Rubber Works [Ruggyantaárugyár?]   | Horvát, (fnu)   |

## b. Heavy Industry:

- |                                    |  |
|------------------------------------|--|
| (1) Red Star Tractor Works         | Dorozsmai, (fnu) Manager<br>Porponai, (fnu) Chief Engineer |
| (2) Rákosi Works, Motorcycle Plant | Gyulai, (fnu) Manager<br>László Forró, Chief Engineer      |
| (3) Mavag Locomotive Plant         | Frochl, (fnu) Manager<br>Füstös, (fnu) Chief Engineer      |

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- (4) Ikarusz Works  
Zerkovics (fnu), Chief Engineer  
Szucs (fnu), Manager
- (5) Györi Waggon (Railroad Car) Works  
Bertalan Lakatos, Manager  
Vadas (fnu), Chief Engineer
- (6) Gsepel Automobile Works  
Mészáros (fnu), Manager  
Rejtő (fnu), Chief Engineer
- (7) Rákosi Works, Machine Tool Plant  
Kálmán (fnu), Manager  
Horgos (fnu), Chief Engineer

c. Representative of the Party Committee  
of the Ministry of Foundries and Machine  
Industry

András Keszei

d. Representative of the Office of Planning .....

1. Comment: Prior to the conference only one Western country was permitted to participate in each "clearing deal" at any one time. 25X1
2. Comment: Unconfirmed reports indicate that since the conference Hungary had received large orders for rolling stock 25X1
3. 25X1
4. Comment: Source was not sure whether the percentages given related to the total of light industrial exports or to another topic. 25X1
5. Comment: State trading company for products of light industry, involving technical goods, such as: tools and hardware. 25X1
6. Comment: State trading company for electrical goods and precision instruments. 25X1
7. Comment: The Hungarian Government currently endeavors to gain favor with the peasantry. 25X1
8. Comment: Czechoslovak and Hungarian State trading companies in textile goods. 25X1
9. Comment: Within the Orbit countries the economic balance cannot be regained. 25X1
10. Comment: Due to the "New Course" many "kolkhozes" were broken up into smaller private units and therefore less combines will be needed than originally envisaged. 25X1
11. Comment: State trading company for the export of metal goods and the import of raw materials for the metal-goods industry. 25X1
12. Comment: Everyone in Hungary shirks responsibility because of fear of punishment in case of a faulty decision. 25X1
13. Comment: "Potapova" is a Russian-language book which speaks about the use of tanks in one of the early lessons. Thus the book contradicts the current "peace" propaganda. 25X1

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